



Innovating Technologies for Life

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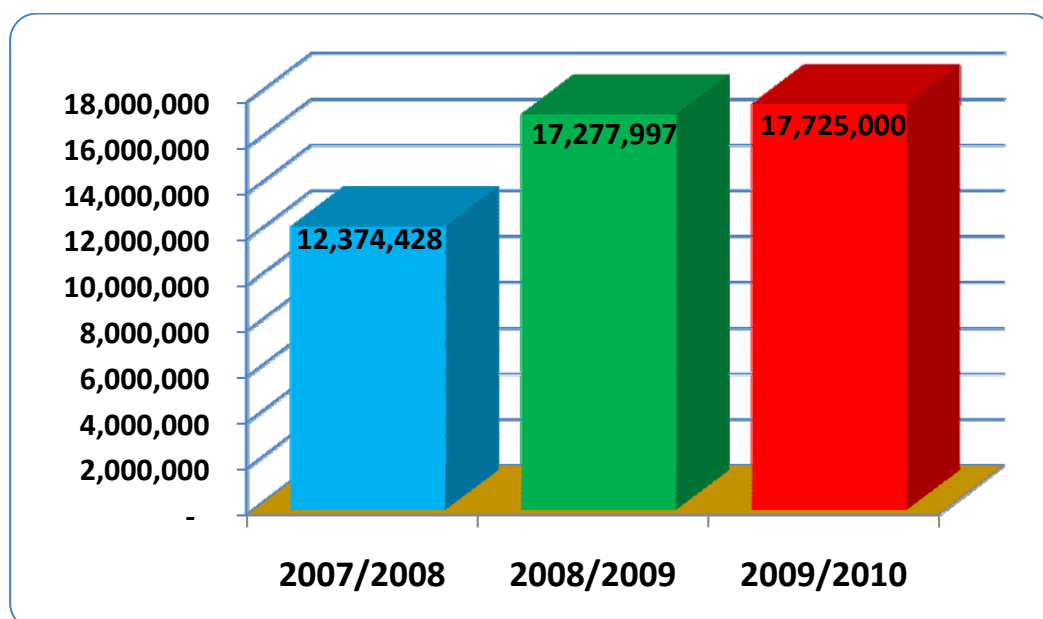
ITL Company Update

At the Annual General Meeting in November 2009, the company acknowledged the need to return to sustainable profitability through a focus on the key business fundamentals of:

- Inventory Reduction,
- Debt Reduction,
- Expense Control and
- Preservation of Margins.

The 2010 financial year has commenced on a positive note with revenues increasing by 2.5% albeit in an environment of changing fortunes with regard to movements in foreign exchange.

2010 YTD-NOV: Revenues



Innovative Products Group (IPG)

While sales for the consolidated group have grown, the company's Innovative Products Group has encountered a number of challenges flowing from the global financial crisis.

Sales for this operating division are principally derived from the blood banking industry centred in the United States. With corporate blood drives accounting for 20% of Red Cross blood collections in the U.S., company closures and industry contraction has resulted in a reduction and in some cases a cancellation of these programs.

In addition, and in stark contrast with the currency fluctuations in the later part of 2008, the strengthening Australian dollar has had a negative impact on the translation of U.S. sales into Australian currency of the order of 10.3% for the period July to November 2009. The renewal of contracts with key blood banking customers is a high priority for the business which in addition is making a concerted effort at diversification of the product and customer base within existing and non-traditional markets such as Europe.

In keeping with the company's diversification endeavors, in October 2009 the company launched its new animal blood collection system TEGO™ which is initially targeted at the U.S. swine industry. With an estimated 4.6 million blood tests for disease and a further 1.5 million blood tests for breeder trait selection the U.S. swine blood testing market is significant, and the Innovative Products Group is presently engaged in trials with two of the country's largest swine producers. Following the initial launch of TEGO™ focused on the U.S. swine industry, the Group is looking to launch a variant of the TEGO™ designed for the cattle industry early in the New Year.

The company is presently in discussions with potential distribution partners for TEGO™ in each of the U.S., Canada, Mexico, Australia and Korea. Following the completion of customer evaluations the company expects to begin realising sales from TEGO™ in early 2010.

Healthcare Australia (HCA)

Following several years of decline the company's Australian medical procedure pack operations have grown 8.5% over the prior year period, a trend that is set to grow as the company's procedure packs sales are enhanced with solid growth in the sale of single sterile products.

With the continued growth in sales, the core focus of this operating division is centred on the cost effective purchase of raw materials and the efficient production of finished goods. In order to realise these objectives the company is implementing a number of initiatives including the introduction of a Material Requirement Planning (MRP) system early in the New Year along with a move to establishing a supplier tender program aimed at both the reduction in raw material prices and the rationalisation of the total number of suppliers.

Healthcare Australia operates in an attractive but competitive growth market and improved operating efficiency is the key to generating sustainable profitability.

Healthcare South East Asia (HCSEA)

The company's Southeast Asian medical distribution business has grown by 4.3% during the first five months of financial year 2010 compared to the corresponding prior year period.

This growth has been realised despite the company's decision to move away from representing Dräger Medical, until this point the company's third largest distribution agency.

The majority of HCSEA's growth has been derived from the sale of orthopaedic joint and trauma implants manufactured by the Stryker Corporation. This agency has also been the principal contributor to higher inventory levels and operating expenses through increased sales, marketing and distribution channel costs.

The distribution of orthopaedic implants requires suppliers to consign equipment and implants to hospitals in order to ensure that their products are available at the time of surgery. This is a universal distribution model that is practiced globally, and has required the company to develop new stock management skills and carry higher levels of inventory as a safety margin during this period of transition. Despite the short term challenges, this is an attractive agency that not only delivers desired margins but also provides the company with the opportunity to move into adjoining Asian markets once the operations in Malaysia are normalised.

Cash & Debt Management

Progress is being made towards reducing long term debt as the company concludes the sale of properties in Canberra, Australia and Chemor, Malaysia.

Settlement for both sales is due in early 2010, with the majority net proceeds of about AUD1.1 million to be applied to the retirement of debt in both Australia and Malaysia.

The company will continue to pursue the sale of its two remaining parcels of land in Chemor, Malaysia, with the future proceeds to also be applied to the retirement of debt.

Inventory Reduction and Rationalisation

The company's focus on inventory reduction is also beginning to bear fruit with a reduction in inventories for the period July 2009 to November 2009 of AUD600k. Further reductions in inventories are projected in early 2010, especially within each of the HCA and HCSEA Businesses.

During the half year to 31 December 2009, the company anticipates the final clearance of aged and obsolete inventories, with an impact to the P&L of approximately AUD1.5 million.

First half results are scheduled to be announced at the end of February 2010. These will incorporate operating performance and inventory write-downs as discussed above, together with any outcomes arising from a comprehensive review of all balance sheet items. These will be reviewed in conjunction with the Company's newly appointed auditors PWC.

The Board and Executive acknowledge that these adjustments follow in the wake of a succession of similar write-down's over prior periods and hence are approaching these matters with diligence and a desire to minimise the potential for any further write-down's beyond this reporting period.

In summary, while the company has some challenges to address in creating a platform for sustainable profitability, the Board and Executive are confident that the key operational issues are being addressed and the company is poised for an improvement in profit performance during the second half of the 2010 financial year.



Brian Andrews
Managing Director

Introducing the most innovative system for swine blood sampling

New!

TEGO.
swine



Collecting blood has never been this easy—or safe

A breakthrough in safety

- Advances animal handler security
 - Reduces risk of injuries from needle sticks
 - Reduces potential injury from agitated swine
- Advances care of livestock
 - Reduces stress and potential injury to swine during sampling through a passive and quick blood collection process

Compatible with existing lab processes

- Blood samples, which dry quickly on blood collection cards, are ready to be sent for laboratory testing
- Samples can be stored at room temperature without affecting sample integrity
- The TEGO™ swine blood collection kit is suitable for use in genetic testing. Please visit www.itlanimalhealthcare.com for more information about using the TEGO™ swine blood collection kit for disease testing

Cost-effective and convenient

- Fits standard ear-tagging applicators and is easily applied to animal's ear
- Makes sampling process quick and more efficient
- Allows for shipment of blood samples through regular postal mail—refrigeration is unnecessary
- Room temperature storage reduces costs of handling and storing blood samples

TEGO
Animal Blood Collection Kit

